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Philippines

Sugar

Semi-Annual

2007

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Report Highlights:
Raw sugar production in CY 2007/08 is forecast to reach 2.306 MMT, up nearly 3 percent as shifting to sugarcane from other crops continues and the use of high yielding varieties expands, while consumption is expected to remain at roughly the same level. According to the Philippine Sugar Regulatory Administration, the Philippines is projected to export about 15 percent of its domestic production to the United States and the world market.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Semi-Annual Report
Manila [RP1]
[RP]

Production

In CY 2006/07, according to the Sugar Regulatory Administration (SRA) the Philippine raw sugar production reached 2.232 MMT, higher than the previous year but slightly lower than original Post estimate of 2.242 MMT. Increased production was mainly as a result of good weather, area expansion and use of high cane yielding varieties as well as mill improvements and early milling activities in Negros Occidental, which is the main sugar producing province. For the CY 2007/07, raw sugar production is projected by SRA to reach 2.306 MMT, up nearly 3 percent as shifting to sugarcane from other crops continues and the use of high yielding varieties expands, total area planted and volume of sugarcane produced is also expected to rise as a result.

SRA Sugar Order No. 1 (2007) allocates about 7 percent of the country's total raw sugar production or about 142,160 MTRV (137,000 MTCW) as "A" sugar to fill the US sugar quota. About 80 percent of total production (1.845 MMT) will be allocated as "B" sugar for the domestic market, 5 percent (115,340 MT) was classified as "C" sugar for reserve stocks and about 8 percent (2,307 MT) was classified as "D" sugar for export to global market.

Consumption

In the Philippines, sugar withdrawals from the mills are usually used to represent demand. In CY 2006/07, actual sugar demand was slightly lower at 1.95 MMT than originally estimate by post. Demand is forecast to remain roughly at the same level next year. According to industry contacts, the decline in withdrawals could be the result of technical smuggling of sugar into the country.

In CY 2006/07, average millsite price per 50-kg bag of "A" raw sugar was P746.56 for the U.S. market due in part to the strong appreciation of the Philippine peso and rising freight costs, and P1,059.79 for "B" raw sugar for the domestic market. Wholesale and retail prices of raw and refined sugar in Metro Manila follow:

RAW AND REFINED SUGAR PRICES				
CY 2005/06	**Raw Sugar**		**Refined Sugar**	
	Wholesale Price (Pesos[1]/per 50 Kg. Bag)	Retail Price (Pesos/ per Kg.)	Wholesale Price (Pesos/per 50 Kg. Bag)	Retail Price (Pesos/ per Kg.)
September	999.11	24.01	1,380.95	30.63
October	1,056.43	24.18	1,406.74	30.63
November	1,021.00	24.77	1,386.30	31.26
December	1,060.39	25.02	1,438.72	31.38
January	1,298.88	27.18	1,743.47	34.49
February	1,354.86	31.97	1,817.14	39.51
March	1,349.41	32.01	1,711.43	38.63
April	1,352.59	31.10	1,711.43	38.01
May	1,351.40	31.01	1,703.02	37.89
June	1,393.36	31.75	1,737.23	38.73
July	1,424.97	32.08	1,750.99	38.50
August	1,395.36	32.11	1,741.11	38.50
Average	1,254.81	28.93	1,677.38	35.64

[1] US$1 = P44.85 as of October 1, 2007

CY 2006/07				
September	1,342.36	32.39	1,716.16	38.73
October	1,250.32	32.30	1,572.26	38.58
November	1,127.05	31.90	1,477.30	38.48
December	1,109.18	31.29	1,510.51	37.63
January	1,189.81	30.53	1,604.84	36.33
February	1,198.22	30.60	1,564.01	36.37
March	1,214.70	30.54	1,560.47	36.36
April	1,193.05	30.51	1,547.70	36.34
May	1,195.89	30.35	1,564.39	36.15
June	1,149.83	30.35	1,541.58	35.99
July	1,149.83	30.25	1,539.57	35.83
August	1,167.86	30.27	1,567.31	36.10
Average	1,192.09	30.94	1,563.84	36.91

Source: Sugar Regulatory Administration, Production Control and Regulatory Office

Trade

In CY 2007/08, the Philippines is expected to export about 15 percent of its sugar production. About 142,160 MTRV (137,000 MTCW) will be exported to the United States under the U.S. Tariff Rate Quota while the remaining will likely be exported to the world market, likely to Japan and South Korea.

Policy

The SRA has stated that it will focus on addressing the problem of smuggling of refined sugar through the closer regulation of the Customs Bonded Warehouse facilities and the strict monitoring of food product exports. No formal regulations on how they intend to implement the stricter monitoring and supervision have been released.

Possible courses of action that are being considered by the industry to manage the large supply of raw sugar this year include temporarily classifying part of the "B" sugar for the domestic market as reserve or "C" sugar during the peak milling season. However, the reconversion to "B" must be assured to enable the producers to secure financing for their cash flow requirements. Also, other possible action being considered would be the implementation of deadlines for the verification and shipment of the "A" sugar for the U.S. market and "D" sugar for the world market to prevent speculation.

The SRA is also considering obliging Custom Bonded Warehouse operators to buy "D" sugar for the world market instead of importing their refined sugar requirements. They can save on freight and other costs, maintain lower inventories. This proposed scheme will also allow SRA to monitor import volumes and possibly control smuggling and thereby preventing leakages to the domestic market.

PSD Table									
Country	Philippines								
Commodity	Sugar, Centrifugal						(1000 MT)		
	2006	Revised		2007	Estimate		2008	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		09/2005	09/2005		09/2006	09/2006		09/2007	09/2007
Beginning Stocks	239	239	239	253	253	253	222	222	262
Beet Sugar Production	0	0	0	0	0	0	0	0	0
Cane Sugar Production	2138	2138	2138	2242	2242	2232	2300	2300	2307
Total Sugar Production	2138	2138	2138	2242	2242	2232	2300	2300	2307
Raw Imports	0	0	0	0	0	0	0	0	0
Refined Imp.(Raw Val)	50	50	50	0	0	0	0	0	0
Total Imports	50	50	50	0	0	0	0	0	0
Total Supply	**2427**	**2427**	**2427**	**2495**	**2495**	**2485**	**2522**	**2522**	**2569**
Raw Exports	224	224	224	273	273	273	250	250	320
Refined Exp.(Raw Val)	0	0	0	0	0	0	0	0	0
Total Exports	224	224	224	273	273	273	250	250	320
Human Dom. Consumption	1950	1950	1950	2000	2000	1950	2000	2000	1950
Other Disappearance	0	0	0	0	0	0	30	30	30
Total Use	1950	1950	1950	2000	2000	1950	2030	2030	1980
Ending Stocks	253	253	253	222	222	262	242	242	269
Total Distribution	**2427**	**2427**	**2427**	**2495**	**2495**	**2485**	**2522**	**2522**	**2569**

PSD Table									
Country	Philippines								
Commodity	Sugar Cane for Centrifugal						(1000 HA) (1000 MT)		
	2006	Revised		2007	Estimate		2008	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		09/2005	09/2005		09/2006	09/2006		09/2007	09/2007
Area Planted	370	377	370	380	391	392	0	395	395
Area Harvested	365	372	365	375	386	386	0	390	390
Production	22000	22000	22000	22600	24000	24345	0	24300	24400
Total Supply	**22000**	**22000**	**22000**	**22600**	**24000**	**24345**	**0**	**24300**	**24400**
Utilization for Sugar	22000	22000	22000	22600	24000	24345	0	24300	24400
Utilizatn for Alcohol	0	0	0	0	0	0	0	0	0
Total Utilization	**22000**	**22000**	**22000**	**22600**	**24000**	**24345**	**0**	**24300**	**24400**